

**PRAIRIE LAKES
EDUCATIONAL COOPERATIVE**

AUDIT REPORT

JUNE 30, 2009

PRAIRIE LAKES EDUCATIONAL COOPERATIVE
BOARD OF DIRECTORS
JUNE 30, 2009

Cooperative Board

Baltic School District No. 49-1	Char Johnson
Chester Area School District No. 39-1	Janet Park
Colman-Egan School District No. 50-5	Lloyd Gundvaldson
Dell Rapids School District No. 49-3	Cindy Schuch
Flandreau School District No. 50-3	Tom Stenger
Garretson School District No. 49-4	Jeff Storment
Howard School District No.48-3	Staci Eggert
Madison Central School District No. 39-2	Dennis Hegg
Oldham-Ramona School District No. 39-5	Mike Matson
Rutland School District No. 39-4	Bill Allgaier
Tri-Valley School District No. 49-6	Kevin Boysen

Director

Larry Furney

Business Manager

Cindy Callies

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
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QUAM & BERGLIN

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Prairie Lakes Educational Cooperative
Lake County, South Dakota

We have audited the financial statements of the governmental activities, and each major fund of the Prairie Lakes Educational Cooperative (Cooperative), Lake County, South Dakota, as of and for the year ended June 30, 2009, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated February 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cooperative's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies that adversely affects the Cooperative's ability to initiate, authorize, record, process or report financial data reliably, in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Cooperative's financial statements that is more than inconsequential will not be prevented or detected by the Cooperative's internal control over financial reporting. We consider the deficiency described in the accompanying Schedule of Audit Findings as item 2009-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Cooperative's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item number 2009-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Cooperative's response to the finding identified in our audit is described in the Schedule of Audit Findings. We did not audit the Cooperative's response, and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the management of the Cooperative in a separate communication dated February 2, 2010.

This report is intended solely for the information and use of federal awarding agencies and pass through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the Cooperative and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam and Berglin
Certified Public Accountants

February 2, 2010

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2009**

PRIOR AUDIT FINDING:

Audit Finding Number 2008-01:

A significant deficiency and material weakness was reported for a lack of segregation of duties for revenues. This finding has not been corrected and is restated as Audit Finding Number 2009-01.

CURRENT AUDIT FINDING:

Internal Control-Related Findings-Material Weakness:

Audit Finding Number 2009-01:

There is a significant deficiency and material weakness resulting from lack of segregation of duties for revenues. This is the second year for this comment.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to the revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

We recommend that Prairie Lakes Educational Cooperative officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls whenever, and wherever, practical.

Corrective Action Plan:

This comment is a result of the size of the entity, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. Prairie Lakes Educational Cooperative is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical.

QUAM & BERGLIN

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prairie Lakes Educational Cooperative
Lake County, South Dakota

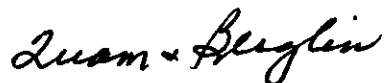
We have audited the accompanying financial statements of the governmental activities and each major fund of the Prairie Lakes Educational Cooperative (Cooperative), Lake County, South Dakota, as of and for the year ended June 30, 2009 which collectively comprise the Cooperative's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Cooperative's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Prairie Lakes Educational Cooperative as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated February 2, 2010 on our consideration of the Cooperative's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules listed on the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Cooperative has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.



Quam and Berglin
Certified Public Accountants

February 2, 2010

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**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Primary Governme</u>
	<u>Governmental Activitles</u>
ASSETS:	
Cash and Cash Equivalents	\$ 26,696.12
Due from Other Governments	<u>70,546.32</u>
TOTAL ASSETS	<u>97,242.44</u>
 LIABILITIES :	
Accounts Payable	4,378.47
Accrued Wages & Benefits	39,191.29
Noncurrent Liabilities	
Due in More Than One Year	<u>12,960.26</u>
TOTAL LIABILITIES	<u>56,530.02</u>
 NET ASSETS:	
Unrestricted	<u>40,712.42</u>
TOTAL NET ASSETS	<u>\$ 40,712.42</u>

The notes to the financial statements are an integral part of this statement

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

			Net (Expense) Revenue and Changes in Net Assets
		<u>Program Revenues</u>	
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total Governmental Activities</u>
Primary Government:			
Governmental Activities:			
Support Services	\$ 342,446.66	\$ 334,605.04	\$ (7,841.62)
Total Governmental Activities	<u>342,446.66</u>	<u>334,605.04</u>	<u>(7,841.62)</u>
Total Primary Government	<u>\$ 342,446.66</u>	<u>\$ 334,605.04</u>	<u>(7,841.62)</u>
Change in Net Assets			(7,841.62)
Net Assets-Beginning			<u>48,554.04</u>
NET ASSETS - ENDING			<u>\$ 40,712.42</u>

The notes to the financial statements are an integral part of this statement

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 26,696.12
Due from Member School Districts	<u>70,546.32</u>
TOTAL ASSETS	<u>\$ 97,242.44</u>
 LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts Payable	\$ 4,378.47
Contracts Payable	33,129.26
Payroll Deductions and Withholdings and Employer Matching Payable	<u>6,062.03</u>
Total Liabilities	<u>43,569.76</u>
 Fund Balances:	
Unreserved:	
Undesignated	<u>53,672.68</u>
Total Fund Balances	<u>53,672.68</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 97,242.44</u>

The notes to the financial statements are an integral part of this statement

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances - Governmental Funds	\$ 53,672.68
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Amounts reported for governmental activities in the statement
of net assets are different because:

Accrued leave payable is not due and payable in the current
period and therefore is not reported in the funds.

Accrued Sick Leave Payable	<u>(12,960.26)</u>
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Net Assets- Governmental Funds	<u>\$ 40,712.42</u>
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The notes to the financial statements are an integral part of this statement

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>
Revenues:	
Other Revenue from Local Sources:	
Services Provided Other LEAs	\$ 334,605.04
Total Revenue	<u>334,605.04</u>
Expenditures:	
Support Services:	
Pupils:	
Psychological	279,566.90
Support Services - General Administration:	
Executive Administration	9,643.94
Support Services -School Administration	
School Administration	<u>45,016.07</u>
Total Expenditures	<u>334,226.91</u>
Net Change in Fund Balance	378.13
Fund Balance - July 1, 2008	<u>53,294.55</u>
FUND BALANCE - JUNE 30, 2009	<u>\$ 53,672.68</u>

The notes to the financial statements are an integral part of this statement

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ 378.13
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Amounts reported for governmental activities in the statement of activities are different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in compensated absences payable.

(8,219.75)

Change in Net Assets of Governmental Activities	<u>\$ (7,841.62)</u>
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The notes to the financial statements are an integral part of this statement.

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cooperative conform to generally accepted accounting principles applicable to government entities of the United States of America.

a. Financial Reporting Entity

The reporting entity of Prairie Lakes Educational Cooperative consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The Prairie Lakes Educational Cooperative is a cooperative service unit (Co-op) of school districts established in 1993. The member school district's equity interest in the joint venture is based on assessment ratios of full membership schools. The full member school district's equity interest in the joint venture is as follows:

Baltic School District 49-1	7.78%
Chester School District 39-1	5.78%
Coleman-Egan School District 50-5	4.67%
Dell-Rapids School District 49-3	15.57%
Flandreau School District 50-3	15.57%
Garretson School District 49-4	6.23%
Howard School District 48-3	9.34%
Madison Central School District 39-2	15.58%
Oldham-Ramona School District 39-5	3.11%
Rutland School District 39-4	1.56%
Tri-Valley School District 49-6	14.81%

The Cooperative's governing board is composed of one cooperative board member representative from each member district. The board is responsible for adopting the Cooperative's budget and setting service fees at a level adequate to fund the adopted budget.

The funds included in this report are controlled by or dependent upon the Cooperative's board of directors.

The accounting policies of the Cooperative conform to generally accepted accounting principles.

The Cooperative contracted with Madison Central School District to provide fiscal management services beginning July 1, 2004. The services include payroll, accounts payable, assessment of member school districts for their cost share and preparation of financial statements.

b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Cooperative's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The Cooperative only has a General Fund, which is always a major fund.

The funds of the Cooperative financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by to meet the entire general operational costs of the Cooperative. The General Fund is the only governmental fund of the Cooperative. The General Fund is always a major Fund.

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for Prairie Lakes Educational Cooperative, the length of that cycle is 60 days. The revenues, which were accrued at June 30, 2009, are amounts due from member school districts.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due.

d. Long-Term Liabilities:

The long-term liabilities consist of compensated absences. All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements.

e. Program Revenues

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the Cooperative's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

f. Equity Classifications

Government-wide Statements:

Equity is classified as net assets and is displayed as follows:

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components.

g. Application of Net Assets:

It is the Cooperative's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

h. Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments.

NOTE 2 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The Cooperative's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may

not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits cooperative funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. The cooperative does not maintain any investment accounts.

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Cooperative expects all receivables to be collected within one year.

NOTE 4 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Compensated Absences
Liabilities Payable, July 1, 2008	\$ 4,740.51
Additions	<u>8,219.75</u>
Liabilities Payable, June 30, 2009	<u>\$ 12,960.26</u>

Compensated absences for governmental activities have been liquidated from the General Fund.

Liabilities payable at June 30, 2009 is comprised of the following:

Compensated Absences:

Vested sick leave; payments to be made from
General Fund

\$ 12,960.26

NOTE 5 - RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Cooperative's share of contributions to the SDRS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$10,608.00, \$10,286.44, and \$13,773.60, respectively, equal to the required contributions each year.

NOTE 6 - RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2009, the Cooperative managed its risks as follows:

Employee Health Insurance

The Cooperative provides health insurance through Madison Central School District's self funded plan.

Liability Insurance

The Cooperative purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation

The Cooperative purchases liability insurance for workmen's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The Cooperative has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2009, no claims for unemployment benefits were paid. At June 30, 2009, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 7 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2009 the Cooperative was not involved in any litigation.

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through February 2, 2010, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION
PRAIRIE LAKES EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Revenue from Local Sources:				
Services Provided Other LEAs	<u>354,726.00</u>	<u>354,726.00</u>	<u>334,605.04</u>	<u>(20,120.96)</u>
Total Revenue	<u>354,726.00</u>	<u>354,726.00</u>	<u>334,605.04</u>	<u>(20,120.96)</u>
Expenditures:				
Support Services:				
Pupils:				
Psychological	283,048.00	283,048.00	279,566.90	3,481.10
Support Services - General Administration:				
Executive Administration	14,977.00	14,977.00	9,643.94	5,333.06
Support Services - School Administration:				
School Administration	53,701.00	53,701.00	45,016.07	8,684.93
Contingency	<u>3,000.00</u>	<u>3,000.00</u>		<u>3,000.00</u>
Total Expenditures	<u>354,726.00</u>	<u>354,726.00</u>	<u>334,226.91</u>	<u>20,499.09</u>
Change in Fund Balances	0.00	0.00	378.13	378.13
Fund Balance - July 1, 2008	<u>53,294.55</u>	<u>53,294.55</u>	<u>53,294.55</u>	
FUND BALANCE - JUNE 30, 2009	<u>\$ 53,294.55</u>	<u>\$ 53,294.55</u>	<u>\$ 53,672.68</u>	<u>\$ 378.13</u>

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

The Cooperative followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund.
11. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES


The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.




CORRECTIVE PLAN OF ACTION

Finding Number 2009-01

Prairie Lakes Educational Cooperative has considered Audit Finding Number 2009-01 relating to the lack of segregation of duties for revenues. At this time, it is not cost efficient for Prairie Lakes Educational Cooperative to hire the additional staff needed to achieve the desired and required level of segregation of duties. District officials are cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever possible and practical. Prairie Lakes Educational Cooperative will continue to monitor the necessity to have segregation of duties for revenues and implement such a segregation as budget dollars and board authority allows. ☆


Larry Furney
Director

Minnehaha


Cindy Callies
Business Manager